DOCUMENT RESUME

ED 387 676 CE 070 076

AUTHOR Berryman, Sue E.
TITLE The Role of Literacy in the Wealth of Individuals and Nations. NCAL Brief.
INSTITUTION National Center on Adult Literacy, Philadelphia, PA.
SPONS AGENCY Office of Educational Research and Improvement (ED), Washington, DC.
REPORT NO NCAL-BP95-03
PUB DATE 5 Apr 95
NOTE 3p.; For the full report, see ED 374 273.
PUB TYPE Reports - Research/Technical (143)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Adult Basic Education; Adult Education; Adult Literacy; Comparative Analysis; *Corporate Education; *Economic Development; Educational Attainment; *Education Work Relationship; Employment Practices; Foreign Countries; *Industrial Training; Literacy Education; Outcomes of Education; *Role of Education; Salary Wage Differentials
IDENTIFIERS Europe; United States; Workplace Literacy

ABSTRACT

The scope and effects of employer-sponsored training in the United States were examined to determine the following: how economic and technological change interact with employers' responses to the new environment's demands; how employer-sponsored training affects the functional distribution of educational attainment, productivity, and earnings; and whether the United States underinvests or overinvests in training. Among the key study findings were the following: workers with higher levels of initial education are more likely to receive employer-sponsored training than are employees with lower levels of initial education; employer-sponsored training raises workers' wages and improves their employability more than other forms of training (such as general training in the classroom); better educated and trained workers are less likely to quit, be laid off, or experience long periods of unemployment; and craft, sales, managerial, and professional/technical occupations require the greatest amounts of training. It was recommended that better data about training costs be obtained, and that efforts to reduce the disparities in education and training among workers be focused on improving the quality of primary and secondary education because, left to itself, the labor market will reinforce, rather than reduce, the disparities in education and training among workers. (MN)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 387 676

BRIEF

The Role of Literacy in the Wealth of Individuals and Nations

Sue E. Berryman
The World Bank, Washington DC

Based on NCAL Technical Report
TR94-13
SEPTEMBER 1994
14 pages, $6.00

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
This document has been reproduced as received from the person or organization originating it.
Minor changes have been made to improve reproduction quality.
Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

BP95-03

APRIL 5, 1995

KEY FINDINGS:

- The higher the level of initial education a worker has achieved, the more likely the worker is to receive employer-sponsored training, which on average raises productivity and wages. This makes it difficult for less educated workers to remedy their deficiencies and widens the productivity and wage gaps between them and the better educated.
- Employer-sponsored training raises workers' wages and improves their employability more than other forms of training (e.g., general training in the classroom), and these effects endure for many years.
- Better educated and trained workers are less likely to quit, are less likely to be laid off, and experience shorter unemployment spells if they are, all of which improve their long-term earnings.
- The occupations requiring the greatest amounts of formal company-sponsored training are the craft, sales, managerial, and professional/technical occupations. The sectors that increasingly require better trained employees are the fast-growing service industries (e.g., finance, public administration, and professional services).

KEY RECOMMENDATIONS:

- Much better data are needed on training costs to estimate rates of return on training investments. In the absence of good estimates, policy conclusions have to be drawn about whether employers are under- or over-investing in employee training.
- Left to itself, the labor market will reinforce, rather than reduce, the disparities in education and training among workers. These differences are most effectively alleviated by improving the quality of primary and secondary education for all students, thus creating a labor force with the foundation skills that attract employers' retraining investments.

INTRODUCTION

Historically, technological change and the internationalization of markets have (a) reduced the number of jobs in goods-producing industries relative to service industries, (b) increased the relative importance of higher skill occupations within sectors, and (c) broadened skill requirements within occupations. In other words, technological change generates a greater demand for more educated workers and for the continuous retraining of these workers.

Employer-sponsored training is largely invisible to the policy community in the United States because it is badly and infrequently measured. The existing case studies of individual firms are often flawed, collect limited information, or are too specific to be of wide application. Hence, inferences about corporate training investments are usually drawn from cross-sectional or longitudinal surveys (e.g., the Current Population Survey and the Panel Survey of Income Dynamics). In 1989, six background papers and peer reviews drawing on those sources were commissioned for a conference on employer-sponsored training, sponsored by Teachers College, Columbia University. This report updates the syntheses of those papers and reviews.

METHODOLOGY

This report describes the scope and effects of employer-sponsored training in the United States in order to highlight (a) how economic and technological change interact with employers' responses to the new environment's demands; (b) how employer-sponsored training affects the functional distribution of educational attainment,

CE 070 076

BEST COPY AVAILABLE

productivity, and earnings; and (c) whether the United States underinvests or overinvests in training.

The first part of the report defines employer-sponsored training and points out that differences in the ways American and European firms hire and fire will affect their training investments. (For example, higher turnover in the United States would tend to deter investment in retraining because employers can capture less of the returns.) The second part looks into which employers train their workers, and whom they train. The third part analyzes the interaction between technological change, hiring decisions, employer-sponsored training, wage profiles, and the rates at which workers quit. The fourth part measures the magnitude of employer-sponsored training and points out that because training costs are so poorly measured, it is difficult to determine whether the United States is overinvesting or underinvesting in training. The final part summarizes the findings and argues for targeted skills development rather than a general increase in years of education.

IMPLICATIONS

Employer-sponsored training reinforces, rather than reduces, the differences in educational attainment among new employees. Those who start their careers lacking basic education and job skills are likely to fall farther and farther behind.

It does not follow, however, that the solution is to increase everyone's level of education. Such a policy is financially unsustainable and unnecessarily blunt. For one thing, years of education and the likelihood of receiving training are not perfectly related. For another, if the possession of certain skills is what matters, regardless of years of education, then intervention should focus on developing those specific skills in the workers who lack them.

Until more accurate estimates of the returns on investment in training are available, it would also be inadvisable to expand such investment. If human capital is subject to diminishing returns, increased training investments beyond a certain level will yield rates of return below those for other forms of investment.

FURTHER READING

Lillard, L., & Tan, H. (1986). Private sector training: Who gets it and what are its effects? (R-3331-DOL/RC). Santa Monica, CA: The RAND Corporation.

Mincer, J. (1987). *Job training, wage growth, and labor turnover* (National Bureau of Economic Research Working Paper 2680). (Reprinted in *Studies in human capital*, pp. 239-262, by J. Mincer, Ed., 1993, Hants, England: Edward Elgar)

Mincer, J. (1989). *Labor market effects of human capital and its adjustment to technological change*. New York: Teachers College, Columbia University, Institute on Education and the Economy.

Tuijnman, A. (1992). Effectiveness research into continuing education and training. Special issue of *International Journal of Educational Research, 17*(6), 517-624.

Vaughan, R. J., & Berryman, S. (1989). *Employer-sponsored training: Current status, future possibilities*. New York: Teachers College, Columbia University, Institute on Education and the Economy.

To order hard copy of the full report, please specify report number, title, and price as listed on the front page of this Brief.

Payment: All orders must be prepaid (U.S. Dollars only, please). Make check or money orders **PAYABLE TO "NCAL/UNIVERSITY OF PENNSYLVANIA."** All sales are final. For further information, call NCAL Dissemination at 215-898-2100, (FAX) 215-898-9804, or (E-mail) **ncal@literacy.upenn.edu**.

Please allow 3 weeks for delivery. For foreign mail and special handling, contact NCAL Dissemination.

Send check and shipping information to:

NATIONAL CENTER ON ADULT LITERACY
Dissemination
3910 Chestnut Street
University of Pennsylvania
Philadelphia, PA. 19104-3111

To acquire an electronic copy of this report free of charge via NCAL's Internet Gopher, point your client at
litserver.literacy.upenn.edu

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement (OERI)
Educational Resources Information Center (ERIC)

NOTICE

REPRODUCTION BASIS

☐ This document is covered by a signed "Reproduction Release (Blanket)" form (on file within the ERIC system), encompassing all or classes of documents from its source organization and, therefore, does not require a "Specific Document" Release form.

☒ This document is Federally-funded, or carries its own permission to reproduce, or is otherwise in the public domain and, therefore, may be reproduced by ERIC without a signed Reproduction Release form (either "Specific Document" or "Blanket").